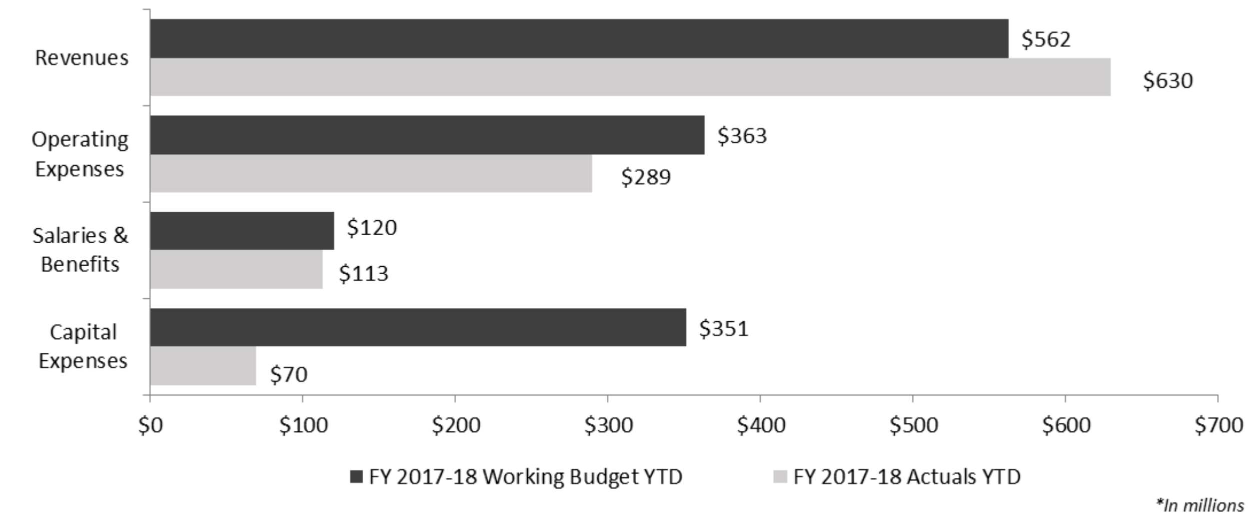
Quarterly Budget Status Report

Third Quarter of Fiscal Year 2017-18



STAFFING

A staffing plan of 1,346.5 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2017-18. At the end of the third quarter, 1,246.5 of these positions were filled, representing a vacancy rate of 7.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	643.0	595.0	48.0	7.5%
Maintenance	171.0	146.0	25.0	14.6%
TCU	37.0	36.0	1.0	2.7%
Union Subtotal	851.0	777.0	74.0	8.7%
Bus Operations Support	164.5	156.0	8.5	5.2%
Other Administrative	331.0	313.5	17.5	5.3%
Administrative Subtotal	495.5	469.5	26.0	5.2%
Total OCTA	**1,346.5**	**1,246.5**	**100.0**	**7.4%**

TOTAL SALARIES AND BENEFITS

Total salaries and benefits of $113.3 million were $7 million lower than the budget of $120.3 million. This variance is comprised of a $5 million underrun in the Bus Program salaries and benefits, as well as a $1.9 million underrun in the General Fund salaries and benefits. In both groups, the underruns are primarily driven by vacant positions.

	Budget	Actual	$ Variance	% Variance
Bus Program	$ 79,427	$ 74,397	$ 5,030	6.3%
General Fund	40,872	38,933	1,938	4.7%
Total	**$ 120,298**	**$ 113,330**	**$ 6,968**	**5.8%**

PROGRAM VARIANCES

Year-to-date material variances are listed below by program. All dollar amounts in tables are shown in thousands.

Bus Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 180,287	$ 181,220	$ 934	0.5%
Expenses	175,643	163,525	12,118	6.9%
Net Operating	**$ 4,644**	**$ 17,695**		
Capital				
Revenue	35,035	40,199	5,163	14.7%
Expenses	26,980	25,663	1,317	4.9%
Net Capital	**$ 8,056**	**$ 14,535**		

Operating Revenue: Local Transportation Fund (LTF) Bus Program sales tax revenue grew by 3.23 percent through the second quarter compared to the budgeted growth rate of 2.4 percent. The actual amount of LTF sales tax revenue for the third quarter will not be finalized until August when Orange County Transportation Authority (OCTA) receives the "true-up" payment.

Operating Expenses: The $12.1 million underrun in Bus Program operating expenses can be attributed to salaries and benefits ($5 million), fuel and other consumables ($3.2 million), paratransit service ($1.6 million), and bus facility and equipment maintenance ($1 million).

Salaries and benefits underran the budget by $5 million. This is primarily due to vacant positions. The vacancy rate at the end of the third quarter is 8.7 percent for Bus Program union employees and 5.2 percent for Bus Program administrative employees, compared to budgeted vacancy rates of 3 percent for each group.

The underrun of $3.2 million for consumables such as tires, motor oil, hoses, and fuel are due to lower than anticipated utilization, as well as the Alternative Fuel Tax Credit (AFTC) of $2.3 million from the federal government that offset fuel costs. The AFTC was not budgeted due to its uncertainty and dependency on legislation.

The underrun of $1.6 million in paratransit service expenses can be attributed to lower-than-anticipated growth in trips for the on-demand services. Through the third quarter supplemental taxi service provided 17,000 less trips than anticipated and primary access operating 3,000 less revenue vehicle hours than anticipated.

The underrun of $1 million for bus facility and equipment maintenance is primarily due to invoice timing for the maintenance of the Bus Program radio communications equipment ($0.5 million), lower-than-anticipated as-needed bus stop maintenance and custodial services ($0.2 million). Also, procurement timing for air duct cleaning at the bus bases is now anticipated to occur in the fourth quarter of the FY ($0.1 million).

Capital Revenue: Capital revenue overran the budget by $5.2 million. This overrun is primarily due to prior year revenues received in the current FY for prior year projects associated with bus bases and transit centers.

Capital Expenses: Capital expenses underran the budget by $1.3 million due to contract timing on the Fullerton Park and Ride revitalization project and a building rehabilitation project at the Irvine Construction Circle Bus Base. For the Fullerton Park and Ride project, the Board awarded the contract in the third quarter, but the terms were not finalized until the fourth quarter. This variance will be resolved by the end of the FY. For the rehabilitation project at the Irvine Construction Circle Bus Base, initial bids for the project did not meet Disadvantaged Business Enterprise requirements, and the project will be re-bid in the next FY.

Rail Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 31,458	$ 32,023	$ 564	1.8%
Expenses	31,458	24,456	7,003	22.3%
Net Operating	**$ -**	**$ 7,567**		
Capital				
Revenue	18,600	1,988	(16,612)	-89.3%
Expenses	43,350	21,686	21,664	50.0%
Net Capital	**$ (24,750)**	**$ (19,698)**		

Operating Revenue: Rail Program operating revenue overran the budget by $0.6 million. The overrun is due to timing of reimbursements from the City of Orange for the Orange Transportation Center Parking Structure project. Reimbursements related to the project were anticipated to be received in the fourth quarter; however, were received in the third quarter.

Operating Expenses: Rail Program operating expenses underran the budget by $7 million. The underrun is primarily associated with Rail Support Services ($3 million), OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) for Metrolink operating subsidy ($2.5 million), and Video Surveillance System (VSS) projects at the Placentia and Laguna Niguel Metrolink stations ($1.2 million).

Contributing to the $3 million underrun in Rail Support Services was support to SCRRA for the Positive Train Control project ($1.7 million). Invoices from SCRRA for project support were received and paid after the end of the third quarter. This variance will be resolved in the fourth quarter. Also within Rail Support Services, billing from the City of Fullerton for the Fullerton Transportation Center Elevator project has been less than anticipated ($0.6 million). This is due to a moratorium on construction activity during the busy winter months initiated by Burlington Northern Santa Fe (BNSF), owner of the rail corridor. The variance is expected to continue through the remainder of the FY and the expenses have been rebudgeted in FY 2018-19. Another contributor to the variance in Rail Support Services is the Orange Transportation Center Parking Structure project ($0.5 million). The City of Orange is the lead on the design phase and will invoice OCTA upon completion of the project. This will occur next FY and the expenses have been rebudgeted.

The $2.5 million underrun associated with the Metrolink operating subsidy is due to an unanticipated credit received in the current FY. Each FY, the Metrolink operating subsidy is adjusted based on operating subsidy deficits or surplus from previous FYs. Due to an operating subsidy surplus from a prior FY, actual contributions from OCTA are less than what was anticipated during the current FY budget development. This variance will continue for the remainder of the FY.

The $1.2 million underrun for VSS projects at the Placentia and Laguna Niguel Metrolink stations is due to project timing. Work on both VSS projects will begin later than anticipated due to timing of primary construction projects at each station that must begin before the VSS project. This variance is expected to continue through the remainder of the FY and the expenses have been rebudgeted in FY 2018-19.

Net Capital:. The underrun in capital revenue is associated with grant revenue for the Orange Transportation Center Parking Structure project and the Laguna Niguel to San Juan Capistrano (LN-SJC) Passing Siding project. As reflected in OCTA's annual budget, grant revenue associated with capital expenditures are typically reimbursed within three months of the expenditures taking place. For each of these projects, the grant revenue was budgeted in the fourth quarter of the FY causing the negative net capital.

Capital Revenue: The $16.6 million underrun in Rail Program capital revenue can be attributed to the Placentia Metrolink Station project. When the FY 2017-18 budget was adopted, funds for construction of the Metrolink station were to be transferred from 91 Express Lanes Program, as approved by the Board. However, the construction contract award is anticipated to be finalized next FY.

Capital Expenses: The $21.7 million underrun in Rail Program capital expenses can be attributed to the Placentia Metrolink Station project ($17.1 million) and the LN-SJC Passing Siding project ($3.9 million).

The $17.1 million underrun associated with the Placentia Metrolink Station project is due to later than anticipated execution of a construction contract. The contract cannot be advertised until a construction and maintenance agreement is in place with BNSF which owns the rail Right-of-Way (ROW). Originally anticipated to be complete in the current FY, this is now expected to take place next FY and has been rebudgeted.

The LN-SJC Passing Siding project has a $3.9 million underrun. This is due to the timing of the construction phase cooperative agreement with SCRRA. This is the result of multiple stakeholder modification requests during the design phase of the project. Construction activity is now anticipated to take place next FY. This item has been rebudgeted.

91 Express Lanes Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 19,894	$ 27,386	$ 7,491	37.7%
Expenses	15,731	12,934	2,797	17.8%
Net Operating	**$ 4,163**	**$ 14,451**		
Capital				
Revenue	14,878	14,970	92	0.6%
Expenses	14,878	670	14,208	95.5%
Net Capital	**$ -**	**$ 14,300**		

Operating Revenue: The 91 Express Lanes operating revenue overran the budget by $7.5 million. The overrun is primarily attributed to increased trips resulting from Riverside County Transportation Commission's extension of the Express Lanes into Riverside County ($3.8 million), and from fees such as violation processing and account minimum fees ($2.2 million). There is also a positive variance in interest income ($0.8 million) due to a higher average cash balance in the account than forecast at the time of budget development.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by $2.8 million.

Part of the underrun can be attributed to underutilization of contingency costs related to the Pavement Rehabilitation project ($0.7 million). Another cause of the underrun is the underutilization of as-needed items on the toll operations, maintenance, and insurance claims contracts ($0.8 million). In addition, procurement timing of project management services for the Toll Lanes System Integration project, as well as deferment of the Pavement Plan project to next FY contributed to the underrun ($1.1 million).

Capital Expenses: Capital expenses for the 91 Express Lanes underran the budget by $14.2 million due to an expected transfer to the Placentia Metrolink Station project that did not occur. A Board approved transfer of

$14.2 million was budgeted in the current FY, but based on the timing of the project, this transfer is now expected to take place next FY.

Motorist Services Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 4,526	$ 3,872	$ (653)	-14.4%
Expenses	4,526	3,872	653	14.4%
Net Operating	$ -	$ -		

Operating: Operating revenue and expenses for the Motorist Services Program both underran the budget by $0.7 million. The underrun is primarily due to costs per hour for operating Freeway Service Patrol being lower than budgeted. This underrun is expected to continue for the remainder of the FY.

M2 Program

Revenue: Local Transportation Authority M2 Program sales tax advances grew by 3.29 percent through the second quarter in comparison to the budgeted growth rate of 3.3 percent. However, the amount of sales tax receipts for the third quarter will not be finalized until August when OCTA receives the “true-up” payment.

Mode	Budget	Actual	$ Variance	% Variance
Freeways	$ 109,907	$ 38,674	$ 71,233	64.8%
Streets & Roads	109,520	72,552	36,968	33.8%
Transit	21,224	6,894	14,330	67.5%
Administration	5,466	5,939	(473)	-8.7%
Debt Service	18,284	28,794	(10,509)	-57.5%
Total	**$ 264,402**	**$ 152,853**	**$ 111,549**	**42.2%**

Expenses: The M2 Program expenditures underran the budget by $111.5 million. Freeways contributed $71.2 million to the underrun, primarily due to unused contract contingency expenses and ROW services for the Interstate 405 Improvement project. Streets and Roads contributed $37 million to the underrun due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Transit contributed $14.3 million to the underrun, primarily due to lower than anticipated transit circulator grant payments to cities as well as the timing of contract execution with SCRRA for costs associated with the San Juan Creek Bridge Replacement project. Debt Service slightly offset the M2 Program underrun with a $10.5 million overrun. However, this variance is due to cash flow timing on a debt interest payment and will be resolved by next quarter.